

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of

PURCHASED GAS ADJUSTMENT FILING)
OF WESTERN KENTUCKY GAS COMPANY)

CASE NO. 8227-I

O R D E R

On October 9, 1981, the Commission issued its Order in Case No. 8227 approving certain adjustments in rates and providing under certain conditions for the future adjustment of such rates when the wholesale cost of gas is increased or decreased.

On October 5, 1982, Western Kentucky Gas Company ("Western") filed its notice with the Commission stating that it had received an increase from its suppliers, Texas Gas Transmission Corporation ("Texas Gas") and local producers.

An evidentiary hearing on this matter was held on October 25, 1982, at the Commission's offices in Frankfort, Kentucky. At this hearing, a representative of Western testified that it could not absorb the \$10.9 million in additional gas costs without being forced into bankruptcy. A representative of Western also testified regarding its overall gas procurement policy and emphasized that the small amount of unregulated high priced gas that it purchased in the past 2 years was procured to insure a more reliable gas supply for its customers.

After reviewing the notice filed in this case and being advised, the Commission is of the opinion and finds that:

(1) This is another one of those federally-mandated pass-throughs of higher gas prices in which upon the record this Commission has no discretion. The evidence presented at the hearing establishes that Western will not realize even one cent of profit but simply will turn over to its suppliers the increased amounts which it must collect from its consumers.

(2) The Public Service Commission is being asked to authorize a pass-through of a price increase already approved by FERC. Failure to allow this increase to be passed through to its retail consumers on a timely basis would be unfair and unjust to Western and would ultimately result in higher rates to its consumers. The Commission has (in writing) indicated its opposition to the procedures and regulations used by FERC since 1975 to approve these supplier increases.

We are also actively presenting our views to FERC and to our Kentucky Congressional delegation concerning revisions to the Natural Gas Policy Act of 1978, which allows gas suppliers to raise their gas prices without regard to costs. Because of Natural Gas Policy Act formulas allowing producers to so raise their prices and because of the action of FERC in allowing such increases to pass through to the transmission company and through it to the distributing company, in this case Western, this Commission has no real authority in the matter. Under federal law and actions, this Commission serves merely as the conduit for the final pass-through

of the increased cost of gas to the consumers when, as here, the distributing utility makes no profit from the increased prices which it must pay for gas purchased from the transmission company.

(3) Western's filing of October 5, 1982, set out certain revisions in rates which Western proposed to place into effect, said rates being designed to pass on the wholesale increase in price in the amount of \$10,982,108 or 28.50 cents per Mcf.

(4) The proposed rate will allow Western to recover only the increased cost of wholesale gas and will not permit it to make any profit in doing so. The magnitude of this filing exposes Western to substantial under-recovery of its gas costs if the rates are not implemented in a timely manner.

(5) The Commission should waive its policy of requiring evidence of FERC acceptance in this case and allow Western to place into effect, subject to refund, the rates as set out in Appendix A.

(6) Western's adjustment in rates under the purchased gas adjustment provisions approved by the Commission in its Order in Case No. 8227, dated October 9, 1981, is fair, just and reasonable and in the public interest and should be effective with gas supplied on and after the date the increased cost of wholesale gas becomes effective.

(7) Western's base supplier rate for purchased gas will be as follows:

	<u>Demand/Mcf</u>	<u>Commodity/Mcf</u>
Texas Gas Transmission Corporation		
G-2	\$6.04	\$3.5850
G-3	7.11	3.6392
G-4	7.82	3.6843

	<u>Commodity Rate</u>	<u>Gas Rate/Dth</u>
Tennessee Gas Pipeline Company		
G-2	\$.3476	\$3.0952
GS-2	.7332	3.0952
Local Producers	-	3.8730

Western's adjustment in rates under the purchased gas adjustment clause, as set out in Exhibit D, page 1 of its notice herein in the amount of \$1.1797 per Mcf, is fair, just and reasonable, in the public interest and should be allowed to become effective for service rendered on and after November 1, 1982, subject to refund.

IT IS THEREFORE ORDERED that the purchased gas adjustment contained in Appendix A be and it is approved effective for gas supplied on and after November 1, 1982, subject to refund.

IT IS FURTHER ORDERED that for the purpose of the future application of the purchased gas adjustment clause of Western, the base rate for purchased gas shall be:

	<u>Demand/Mcf</u>	<u>Commodity/Mcf</u>
Texas Gas Transmission Corporation		
G-2	\$6.04	\$3.5850
G-3	7.11	3.6392
G-4	7.82	3.6843

	<u>Commodity/Rate</u>	<u>Gas Rate/Dth</u>
Tennessee Gas Pipeline Company		
G-2	\$.3476	\$3.0952
GS-2	.7332	3.0952
Local Producers	-	3.8730

IT IS FURTHER ORDERED that within 30 days from the date of this Order, Western shall file with this Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 5th day of November, 1982.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8227-I DATED
NOVEMBER 5, 1982

The following rates are prescribed for the customers in the area served by Western Kentucky Gas Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the date of this Order.

RATES:

Applicable to All Rate Schedules

Purchased Gas Adjustment

To each bill rendered under all rate schedules there shall be added an amount equal to: \$1.1797 per Mcf of gas used during the billing period.